

COMSTOCK RESOURCES INC
Form 10-Q
November 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended September 30, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File No. 001-03262

COMSTOCK RESOURCES, INC.

(Exact name of registrant as specified in its charter)

NEVADA 94-1667468
(State or other jurisdiction of (I.R.S. Employer

incorporation or organization) Identification Number)

5300 Town and Country Blvd., Suite 500, Frisco, Texas 75034

(Address of principal executive offices)

Telephone No.: (972) 668-8800

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of shares outstanding of the registrant's common stock, par value \$0.50, as of November 9, 2016 was 13,455,559.

COMSTOCK RESOURCES, INC.

QUARTERLY REPORT

For the Quarter Ended September 30, 2016

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Unaudited)

	September 30, December 31, 2016 2015	
	(In thousands)	
ASSETS		
Cash and Cash Equivalents	\$26,584	\$ 134,006
Accounts Receivable:		
Oil and gas sales	16,659	15,241
Joint interest operations	2,033	3,552
Derivative Financial Instruments	—	1,446
Assets Held for Sale	29,442	—
Other Current Assets	1,975	1,993
Total current assets	76,693	156,238
Property and Equipment:		
Unproved oil and gas properties	—	84,144
Oil and gas properties, successful efforts method	3,774,780	4,332,222
Other	19,577	19,521
Accumulated depreciation, depletion and amortization	(2,986,614)	(3,397,467)
Net property and equipment	807,743	1,038,420
Other Assets	1,076	1,192
	\$885,512	\$ 1,195,850
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Accounts Payable	\$37,786	\$ 57,276
Accrued Liabilities	20,398	38,444
Total current liabilities	58,184	95,720
Long-term Debt	1,025,522	1,249,330
Deferred Income Taxes	5,677	1,965
Reserve for Future Abandonment Costs	16,152	20,093
Total liabilities	1,105,535	1,367,108
Commitments and Contingencies		
Stockholders' Deficit:		
Common stock — \$0.50 par, 50,000,000 shares authorized, 13,383,016 and 9,544,035 shares outstanding at September 30, 2016 and December 31, 2015, respectively	6,692	4,772
Common stock warrants	7,938	—
Additional paid-in capital	526,248	504,670
Accumulated deficit	(760,901)	(680,700)

Total stockholders' deficit	(220,023)	(171,258)
	\$885,512	\$ 1,195,850

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(In thousands, except per share amounts)			
Revenues:				
Natural gas sales	\$36,852	\$33,654	\$ 87,726	\$ 80,411
Oil sales	13,478	27,706	39,482	124,783
Total oil and gas sales	50,330	61,360	127,208	205,194
Operating expenses:				
Production taxes	1,556	2,170	4,069	8,951
Gathering and transportation	3,829	3,729	12,219	9,842
Lease operating	12,301	16,687	38,249	49,650
Exploration	76,391	5,040	84,144	70,309
Depreciation, depletion and amortization	37,545	79,445	112,410	261,907
General and administrative	4,188	5,653	15,426	20,795
Impairment of oil and gas properties	113	544,714	24,573	547,101
Loss (gain) on sales and exchange of oil and gas properties	13,196	(52)	14,103	111,778
Total operating expenses	149,119	657,386	305,193	1,080,333
Operating loss	(98,789)	(596,026)	(177,985)	(875,139)
Other income (expenses):				
Net gain on extinguishment of debt	100,540	51,054	190,116	55,586
Gain from derivative financial instruments	—	1,078	674	1,705
Other income	175	411	770	1,054
Interest expense	(31,227)	(32,159)	(90,053)	(86,720)
Total other income (expenses)	69,488	20,384	101,507	(28,375)
Loss before income taxes	(29,301)	(575,642)	(76,478)	(903,514)
Benefit from (provision for) income taxes	825	30,646	(3,723)	144,948

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Net loss	\$ (28,476)	\$ (544,996)	\$ (80,201)	\$ (758,566)
Net loss per share – basic and diluted	\$ (2.32)	\$ (59.05)	\$ (7.13)	\$ (82.27)
Weighted average shares outstanding – basic and diluted	12,293	9,230	11,255	9,220

The accompanying notes are an integral part of these statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT

For the Nine Months Ended September 30, 2016

(Unaudited)

Common					
Common Stock – (Shares) (In thousands)	Common Stock Warrants	Additional Paid-in Capital	Accumulated Deficit	Total	